

**APPROACH TO VALUE FOR MONEY**

**To:** Audit and Accounts Committee

**Date:** 15<sup>th</sup> July 2014

**From:** Head of Internal Audit and Risk Management

**Electoral Division(s):** All

**Forward Plan Ref:** N/A **Key decision:** No

**Purpose:** At the Audit and Accounts Committee in June 2014, members requested a short paper to establish an agreed approach on how assurance should be obtained in relation to the effectiveness of commissioning projects.

**Key Issues:** The response of Service Committees to the request to consider identifying at least two projects within their remit, to check if they were satisfied that value for money considerations have been included, was of concern to the Audit and Accounts Committee with either no action proposed or a referral back to be addressed by the Audit and Accounts Committee.

**Recommendations:** The Audit and Accounts Committee consider that the use of Internal Audit contingency resource be utilised in the examining of Value for Money (VFM) across a range of Council services and initiatives.

The Audit and Accounts Committee approve for the Head of Internal Audit to undertake planning across Council services and report back to the Committee in September 2014 with a detailed plan of VFM reviews to be completed within 2014/15.

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## 1. BACKGROUND

- 1.1 At the January 2014 Audit and Accounts Committee, it was suggested that arrangements to secure “effectiveness” in the use of the Authority’s resources be part of the remit of each new Committee going forward.
- 1.2 Subsequently, each Service Committee was requested to consider at least two projects within their remit and to check that Value for Money (VFM) considerations have been included and met.
- 1.3 Feedback from the Service Committees was reported to the Audit and Accounts Committee in June 2014 and is summarised in the following Table:

Table 1: Summary of Responses from Service Committees

No.	Committee	Response
1	General Purposes	Not considered to be within their remit and not something that the GPC wished to initiate taking forward.
2	Adults	No action taken on suggestion.
3	Economy & Environment	Considered it was more appropriate to be included as part of the Internal Audit work programme.
4	Health	Requested a report from the Director of Public Health on the cost effectiveness of the smoking cessation service.
5	Highways & Community Infrastructure	No action taken on suggestion due to level of work programme.
6	Children & Young People	No action taken on suggestion and considered it more appropriate for the Audit and Accounts Committee.

- 1.4 In June 2014, the National Audit Office (NAO) issued a report “Local Government Funding: Assurance to Parliament.” The key conclusion with this report was that:  
  
*“Local authorities have more freedom to allocate funds according to their own priorities, but the government has less information on how funds have been spent... The Department should do more to understand whether the system for funding local government is effective in delivering value for money.”*
- 1.5 There, is therefore, a wider context for the need to obtain assurances in respect of VFM.

## **2. TYPES OF VFM AUDIT COVERAGE**

- 2.1 Reviews of VFM can be delivered essentially by adopting three main approaches, as summarised in the following Table:

Table 2 – VFM Approaches

### **Cost Efficiency**

- Focus on inputs of an activity to evaluate “economy” with a view to services being delivered for a reduced cost.
- Can cost be reduced for the same output?
- Can greater output be achieved for the same cost?

### **Efficiency of Process**

- Analyse / Review systems in place to identify whether processes and services can be delivered more efficiently and effectively.

### **Outcome Reviews**

- Review what services / activities produce as outcomes.
- Review of investments / projects to determine whether intended benefits from Business Cases have arisen.
- Can include a review of policy objectives.

- 2.2 In practice, VFMs can be undertaken using a combination of the above approaches in order to assess whether resources are being utilised effectively as part of delivering the strategic objectives of the Council.

## **3. INTERNAL AUDIT CAPACITY**

- 3.1 The Head of Internal Audit has extensive experience of the facilitation and delivery of VFM studies across public sector bodies. Such studies have led to both major cash savings and increases in operational efficiency.
- 3.2 LGSS Internal Audit has the capacity to undertake VFM reviews within the Council and, dependent upon the subject area, the ability to benchmark with other County Councils in order to benchmark process and performance.